

STATEMENT OF
THE HONORABLE NORMAN Y. MINETA
SECRETARY OF TRANSPORTATION

REFORMING CAFE STANDARDS FOR PASSENGER CARS

COMMITTEE ON ENERGY AND COMMERCE
U.S. HOUSE OF REPRESENTATIVES

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Mr. Chairman, thank you for inviting me to appear before this committee today to discuss reforming corporate average fuel economy (CAFE) standards for passenger cars.

Last week, the President asked Congress for the authority to reform the structure of the current CAFE program for passenger cars for the first time in the program's 30-year history. This is an important step to reduce America's dependence on foreign oil, and is consistent with President Bush's call to replace more than 5 million barrels per day of oil imports by the year 2025. Currently, passenger cars account for 23 percent of domestic oil consumption.

Mr. Chairman, this Administration has a good record on improving CAFE. Members may recall that in 2001, at my request, Congress ended the six-year freeze on CAFE rulemaking. Later that year, the National Academy of Sciences (NAS) completed a report, at Congress's request, that was highly critical of the current CAFE program. Among the criticisms contained in the NAS report was the contention that the CAFE program probably had cost between 1,300 and 2,600 lives in one calendar year alone (1993) because it encourages automakers to build smaller vehicles in order to "average out" fuel savings across their fleets. The chair of the committee wrote, "...no matter what Congress decides regarding specific fuel economy targets, our committee is adamant that changes should be made to shore up deficiencies in the program." To correct these longstanding safety and other deficiencies in the CAFE program, I sent a letter to Congress in February 2002 urging passage of legislation to provide the U.S. Department of Transportation (DOT) with the statutory authority to reform the CAFE program.

On March 29, DOT completed its second light truck CAFE rulemaking in the past four years by replacing the one-size-fits-all system with an innovative size-based system. Allow me to explain why this reformed system that bases fuel economy standards on a vehicle's size is superior to the current "one-size-fits-all" approach.

- First, a size-based system preserves vehicle choice: Instead of forcing manufacturers to produce smaller vehicles for purposes of regulatory compliance, this approach takes the manufacturers' own product mix projections and then applies separate fuel economy targets to each vehicle based on its dimensions. Under a size-based system, automakers will still be able to build the cars

consumers want, but those cars will have to be more fuel efficient across the board.

- Second, a size-based system eliminates the perverse incentives for manufacturers to produce smaller and more dangerous vehicles instead of introducing fuel-saving technologies.
- Third, a size-based system ensures that all manufacturers are introducing fuel-saving technologies, not only the manufacturers of larger vehicles.

These new light truck standards will lead to a safer, more efficient CAFE program and will save a record 10.7 billion gallons of fuel. This rule also included large sport utility vehicles (SUVs), such as the Hummer H2, under CAFE for the first time. All told, this Administration will have raised CAFE standards for light trucks for seven consecutive years, from 2005 to 2011.

Today, following our successful overhaul of the light truck CAFE program and consistent with the recommendations of the NAS, we have the capacity to establish a far more precise, efficient, and safe CAFE program for passenger cars, but we do not have the legal authority to do it.

The passenger car fuel economy standard was set in law at 27.5 miles per gallon in the original 1975 CAFE statute. Some of the more senior Members may recall that the 27.5 miles per gallon standard was arrived at by simply doubling what the average fuel economy was in 1975. The passenger car standard was not then, and certainly is not now, based on sound science or economics.

The original statute did not authorize DOT to change the way the standard applied to different size cars. Neither Congress nor DOT has ever increased the passenger car standard beyond the level set in the original statute. So it is important that if we embark on this course, we do it right to avoid compromising safety and to avoid causing economic damage and job loss.

If we are given the authority to reform the CAFE system for passenger cars, we can improve fuel efficiency by requiring manufacturers to apply fuel saving technologies rather than giving them an incentive to build smaller cars. Based on the automakers' confidential product plans, our experts at the National Highway Traffic Safety Administration (NHTSA) can objectively measure how much fuel saving technology we can require before the costs outweigh the benefits. This method of formulating a fuel economy standard is objective and subject to review during the rulemaking process. It is also far more likely to produce an optimal result than if Congress were to prescribe a standard in a statute.

The President and I are committed to improving fuel economy across the board through an open regulatory process built upon sound science and economics, but we will not accept an arbitrary statutory increase under the current passenger car system.

Mr. Chairman, I know that whenever CAFE is debated, it can turn divisive. When the original CAFE statute was debated, I was a freshman Member of Congress. I recall well the debates of the 1970s on how best to conserve fuel and what the impacts would be on the economy. I remind Members that CAFE reform will not be without cost. And I am aware that certain automakers are having a rough time financially, and that thousands of hard-working Americans have lost their jobs through no fault of their own because of these financial difficulties.

Mr. Chairman, the President did not ask lightly for this authority. But this Administration has already made great strides in improving fuel economy for light trucks. We have the expertise and experience to boost fuel economy responsibly without needlessly sacrificing safety or American jobs. I now respectfully ask for the authority to achieve similar gains for the passenger car fleet.